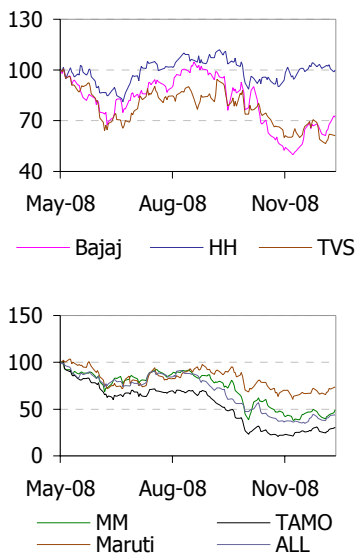


Auto Monitor

Analyst: **Sahil Kedia**
Email: sahil.kedia@enam.com
Tel: 9122 6754 7621

Jyothsna Murthy
Email: jyothsna.murthy@enam.com

Relative Performance



Source: Bloomberg, ENAM Research

Rating & Target Price

Co.	CMP (Rs)	TP (Rs.)	Upside (%)	Rel. to Sec.
BAL	426	423	(1)	N
TVS	19	22	13	OP
HH	801	785	(2)	N
TAMO	163	110	(33)	UP
MSIL	584	569	(3)	N
M&M	311	339	9	N
AL	15	14	(11)	UP

Source: ENAM Research

Volume snapshot

(Nos)	Monthly			YTD			Y/E	
	Dec-08	Dec-07	YoY (%)	9MFY09	9MFY08	YoY (%)	FY09E	FY08
Bajaj Auto	142,163	199,470	(28.7)	1,753,885	1,898,649	(7.6)	2,235,600	2,451,229
TVS Motor	89,285	97,576	(8.5)	1,002,695	983,308	2.0	1,278,000	1,288,980
Hero Honda	215,931	240,532	(10.2)	2,724,145	2,453,067	11.1	3,456,000	3,334,741
Total	447,379	537,578	(16.8)	5,480,725	5,335,024	2.7	6,969,600	7,074,950
Ashok Leyland	2,321	6,340	(63.4)	43,657	55,998	(22.0)	55,706	83,309
Tata Motors	25,219	47,678	(47.1)	363,329	406,917	(10.7)	462,597	582,389
Maruti Suzuki	56,293	62,515	(10.0)	555,529	562,623	(1.3)	732,278	764,848
Mahindra & Mahindra	15,744	22,278	(29.3)	240,366	240,176	0.1	304,980	329,820

Source: Company; ENAM Research

VOLUMES CONTINUE TO SLIDE

Volumes in December continued to remain weak as OEMs cut production in light of weakening retail sales.

- **Two-wheelers:** Volumes declined by 17% YoY, Bajaj fared the worst with a 33% YoY drop in sales.
- **Commercial vehicles:** M&HCV volumes declined by ~65-70% YoY as economic activity slowed in Q3FY09.
- **Cars:** Volumes for Maruti fell by 10% YoY, while Tata Motors saw a 25% YoY decline.

Q3FY09E Estimates:

- **Revenues:** Net realisations to be lower on account of heavy discounts offered by OEMs.
- **Margins:** EBITDA margin for most companies is estimated to be lower than Q2FY09 on account of lower production levels and high discounts to push volumes.

(Rs mn)	Sales			EBITDA			Adj PAT		
	Q3FY09E	QoQ	YoY	Q3FY09E	QoQ	YoY	Q3FY09E	QoQ	YoY
Bajaj	18,906	(26)	(24)	1,943	(43)	(47)	1,410	(43)	(63)
HH	27,973	(13)	2	3,438	(21)	(10)	2,544	(17)	(7)
TVS Motor	8,085	(20)	(8)	220	(31)	46	40	(62)	(32)
TAMO	50,215	(29)	(31)	2,477	(56)	(69)	(73)	-	-
MSIL	42,211	(13)	(10)	2,954	(21)	(52)	2,445	(23)	(48)
M&M	24,194	(22)	(18)	1,360	(51)	(59)	810	(71)	(68)

Source: ENAM Securities, Note: Bajaj YoY numbers not comparable due to demerger.

Fiscal stimulus package #2: Cuts in Repo and Reverse Repo by 100bps to 5.5% and 4% respectively, along with a 50bps cut in CRR will infuse ~Rs 200bn into the banking system. Also, accelerated depreciation of 50% has been announced for all CVs bought in the quarter (Jan to March'09), as a short term measure to boost CV sales.

Outlook: While the recent stimulus package by the GoI to boost CV sales may have a limited impact due to slow industrial growth, rate cuts would eventually lead to easier availability of credit for the entire auto sector. We expect volumes and operating performance to improve in FY10 due to easing credit and cooling commodity prices.

Considering valuation parameters, our order of preference on stocks is: (most preferred to least): TVS, M&M, BAL, HH, MSIL, ALL, TAMO.

MARUTI SUZUKI (MSIL)

- Passenger car segment continued to contract with volumes falling by 11% YoY, while A3 segment (*SX4, Dzire*) witnessed a healthy growth of 98% YoY. Exports marginally grew by 4% YoY.
- Maruti's plants will remain closed for 10 days from Dec 25, 2008 to Jan 3, 2009 on account of annual maintenance.

Maruti: Volume break-up

(Nos)	Monthly			YTD			Y/E	
	Dec-08	Dec-07	YoY (%)	9MFY09	9MFY08	YoY (%)	FY09E	FY08
A1	2,907	7,190	(59.6)	37,307	51,985	(28.2)	45,000	69,553
C	5,350	8,034	(33.4)	56,527	65,559	(13.8)	72,000	89,729
A2	36,831	39,575	(6.9)	358,751	367,395	(2.4)	473,000	499,280
A3	6,524	3,291	98.2	52,700	36,902	42.8	74,400	49,335
Tot PC	51,612	58,090	(11.2)	505,285	521,841	(3.2)	664,400	707,897
MUV	417	311	34.1	5,374	2,792	92.5	6,900	3,927
Domestic	52,029	58,401	(10.9)	510,659	524,633	(2.7)	671,300	711,824
Exports	4,264	4,114	3.6	44,870	37,990	18.1	60,978	53,024
Total Sales	56,293	62,515	(10.0)	555,529	562,623	(1.3)	732,278	764,848

Source: Company, ENAM Research

MAHINDRA AND MAHINDRA (M&M)

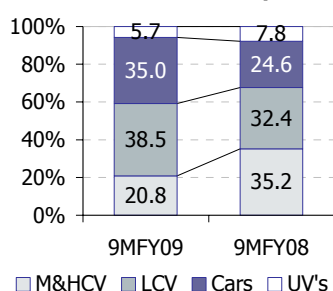
- M&M's UV portfolio witnessed a steep fall of 22% YoY in December, while tractors saw a 27% slump in sales.
- The 3-wheeler business contracted by 6% YoY, while the *Logan* volumes continued their downward journey falling by 82% YoY.
- M&M sold its 14% stake in the LCV manufacturer Swaraj Mazda to Sumitomo Corporation of Japan for Rs 400mn. Sumitomo will be acquiring 1.47mn shares of Swaraj Mazda held by PTL at Rs 272 per share thereby increasing its stake to 54% from 40%.
- M&M has received FIPB's approval for a JV with US defence firm BAE Systems, in which M&M will hold a 74% stake. The focus would be on land systems for the Indian market and operations will begin from H1FY10.

M&M: Volume break-up

(Nos)	Monthly			YTD			Y/E	
	Dec-08	Dec-07	YoY (%)	9MFY09	9MFY08	YoY (%)	FY09E	FY08
UV	7,726	9,909	(22.0)	105,565	105,760	(0.2)	136,200	148,759
LCV*	321	802	(60.0)	6,880	7,902	(12.9)	8,500	10,400
Logan*	272	1,504	(81.9)	10,856	17,545	(38.1)	12,000	25,665
Total 4-Wheelers	8,319	12,215	(31.9)	123,301	131,207	(6.0)	156,700	184,824
3-Wheelers	1,934	2,052	(5.8)	34,252	25,152	36.2	43,200	33,927
Exports	412	1,049	(60.7)	7,448	8,085	(7.9)	9,200	12,359
Total	10,665	15,316	(30.4)	165,001	164,444	0.3	209,100	231,110
Tractors (Domestic)	4,506	6,100	(26.1)	69,614	69,842	(0.3)	-	-
Tractors (Exports)	573	862	(33.5)	5,751	5,890	(2.4)	-	-
Tractors (Total)	5,079	6,962	(27.0)	75,365	75,732	(0.5)	95,880	98,710
Total vehicles	15,744	22,278	(29.3)	240,366	240,176	0.1	304,980	329,820

Source: Company, ENAM Research. * Volumes of LCV and Logan are part of JVs and hence not considered for M&M on a standalone basis.

Product breakup



TATA MOTORS (TAMO)

- TAMO's M&HCV segment contracted sharply by 69% YoY clocking 5,249 units of sales. LCV volumes too continued to fall, registering a 37% YoY decline.
- TAMO's Jamshedpur plant underwent a 17- day shutdown while the Pimpri plant was closed for 12 days in the last two months (Nov + Dec) in an effort to normalise the inventory levels in the system.
- A clutch of British newspapers have launched a petition, urging the government to provide financial assistance to JLR. The petition has asked for 1bn£ in loans to JLR at favourable terms, repayable in 12 to 18 months.

TAMO: Volume break-up

(Nos)	Monthly			YTD			Y/E	
	Dec-08	Dec-07	YoY (%)	9MFY09	9MFY08	YoY (%)	FY09E	FY08
HCV	5,249	16,782	(68.7)	93,992	122,783	(23.4)	123,092	179,388
- Domestic	4,811	15,689	(69.3)	86,720	112,859	(23.2)	-	-
- Exports	438	1,093	(59.9)	7,272	9,924	(26.7)	-	-
LCV	9,704	15,435	(37.1)	124,099	121,281	2.3	155,728	173,434
- Domestic	9,245	12,972	(28.7)	108,459	102,659	5.6	-	-
- Exports	459	2,463	(81.4)	15,640	18,622	(16.0)	-	-
CAR	8,824	11,722	(24.7)	116,835	129,646	(9.9)	147,000	179,268
- Domestic	8,422	10,876	(22.6)	111,259	120,169	(7.4)	-	-
- Exports	402	846	(52.5)	5,576	9,477	(41.2)	-	-
UV	1,442	3,739	(61.4)	28,403	33,207	(14.5)	36,777	50,299
- Domestic	1,416	3,440	(58.8)	27,825	30,967	(10.1)	-	-
- Exports	26	299	(91.3)	578	2,240	(74.2)	-	-
Total	25,219	47,678	(47.1)	363,329	406,917	(10.7)	462,597	582,389

Source: Company, ENAM Research.

ASHOK LEYLAND (ALL)

- The company started with three-days a week production schedule in December and intends to continue with it till January end, to match the sluggish demand levels.

ALL: Volume break-up

(Nos)	Monthly			YTD			Y/E	
	Dec-08	Dec-07	YoY (%)	9MFY09	9MFY08	YoY (%)	FY09E	FY08
Domestic	753	1,307	(42.4)	11,808	13,703	(13.8)	-	17,573
Exports	458	638	(28.2)	3,139	3,250	(3.4)	-	4,689
MDV Passengers	1,211	1,945	(37.7)	14,947	16,953	(11.8)	20,036	22,262
Domestic	637	4,153	(84.7)	26,350	37,100	(29.0)	-	57,835
Exports	424	194	118.6	1,760	1,490	18.1	-	2,389
MDV Goods	1,061	4,347	(75.6)	28,110	38,590	(27.2)	34,930	60,224
Total HCV	2,272	6,292	(63.9)	43,057	55,543	(22.5)	54,966	82,486
Domestic	30	28	7.1	352	377	(6.6)	-	615
Exports	19	20	(5.0)	248	78	217.9	-	208
Total LCV	49	48	2.1	600	455	31.9	741	823
Total Vehicles sold	2,321	6,340	(63.4)	43,657	55,998	(22.0)	55,706	83,309

Source: Company, ENAM Research

TWO-WHEELER INDUSTRY

(Nos)	Monthly			YTD			Y/E	
	Dec-08	Dec-07	YoY (%)	9MFY09	9MFY08	YoY (%)	FY09E	FY08
Bajaj Auto								
- Motorcycles	118,510	176,441	(32.8)	1,534,149	1,659,705	(7.6)	1,944,000	2,139,634
- Total 2-wheelers	119,215	177,249	(32.7)	1,544,186	1,678,013	(8.0)	1,957,200	2,160,928
- Three-wheelers	22,948	22,221	3.3	209,699	220,636	(5.0)	278,400	290,301
Total Sales	142,163	199,470	(28.7)	1,753,885	1,898,649	(7.6)	2,235,600	2,451,229
TVS Motors								
- Scooters	15,000	14,568	3.0	192,976	210,859	(8.5)	240,000	259,947
- Motorcycles	40,057	51,293	(21.9)	486,502	471,306	3.2	612,000	617,568
- Mopeds	34,228	31,715	7.9	323,217	301,143	7.3	426,000	411,465
Total Sales	89,285	97,576	(8.5)	1,002,695	983,308	2.0	1,278,000	1,288,980
Hero Honda								
- Motorcycles	215,931	240,532	(10.2)	2,724,145	2,453,067	11.1	3,456,000	3,334,741
Total Sales	215,931	240,532	(10.2)	2,724,145	2,453,067	11.1	3,456,000	3,334,741

Source: Company, ENAM Research

- Bajaj Auto (BAL):** BAL's motorcycles sales plummeted by 29% YoY. Exports for the month stood at 72,744 units recording a healthy 43% YoY growth. The company plans to launch a new 125cc 'Sport Commuter' motorcycle in Jan 2009. Bajaj has extended the annual maintenance of its Waluj plant by 5 more days from Dec 26th to Jan 4th 2009, in a bid to reduce the inventory pile up in the system.
- Hero Honda (HH):** HH registered a 10% YoY decline in its December motorcycle sales. However, the company has witnessed a healthy growth of 9% YoY in the calendar year 2008 clocking 3.6mn units for the period Jan - Dec'08.
- TVS Motors (TVS):** Two-wheeler sales for TVS fell by 8.5% YoY in December. However, exports saw a healthy growth of 17% at 16,930 units. The company has cut prices across all two wheeler models by Rs 700 – Rs 2,000. It also launched a variant of the *Apache RTR 160* during the month.

Auto valuation sheet: RECOMMENDATIONS ARE RELATIVE TO SECTOR

Co. Name	Period	Net sales (Rs.mn)	EBITDA (Rs.mn)	Adj. PAT (Rs.mn)	FDEPS (Rs.)	Core EPS (Rs.)	Cash per Share (Rs.)	Value of Invst (Rs.)	RoCE (%)	RoE (%)	Core P/E (x)
Tata Motors (Stand.)	FY07	267,153	32,274	19,135	41.3	41.3	-	196	30	31	-
(CMP: 163)	FY08	279,893	28,586	17,208	35.4	35.4	-	59	20	23	-
(MCap: Rs.73bn)	FY09E	234,768	15,371	6,514	11.6	11.6	(35)	51	7	7	12.6
(RECO: UP)	FY10E	256,053	19,205	5,516	9.9	9.9	(35)	51	6	5	14.9
Maruti Suzuki	FY07	145,922	19,904	15,745	54.5	45.6	122	-	36	26	-
(CMP: 584)	FY08	178,603	22,963	17,118	59.2	47.4	135	-	30	22	9.5
(MCap: Rs.169bn)	FY09E	182,392	16,084	12,612	43.6	30.3	135	-	18	14	14.8
(RECO: N)	FY10E	203,895	20,714	14,039	48.6	37.1	135	-	18	14	12.1
M&M (Stand.)	FY07	96,277	13,229	9,896	40.0	35.8	-	410	30	31	-
(CMP: 311)	FY08	108,046	14,034	9,382	36.3	33.3	-	162	22	24	-
(MCap: Rs.80bn)	FY09E	105,012	9,724	6,846	26.5	21.0	-	162	13	15	7.1
(RECO: N)	FY10E	113,352	11,469	7,074	27.4	22.5	-	162	13	15	6.6
Ashok Leyland	FY07	71,682	7,027	4,544	3.4	3.4	-	-	20	28	-
(CMP: 15)	FY08	77,291	8,040	4,487	3.4	3.4	-	-	18	22	-
(MCap: Rs.20bn)	FY09E	63,570	3,905	1,273	1.0	1.0	-	-	5	6	15.8
(RECO: UP)	FY10E	71,390	6,065	2,134	1.6	1.6	-	-	7	10	9.4
Bajaj Auto	FY07	-	-	-	-	-	-	-	-	-	-
(CMP: 426)	FY08	86,633	12,390	8,583	59.3	51.3	89	-	83	108	6.6
(MCap: Rs.62bn)	FY09E	78,572	8,989	6,488	44.8	38.1	89	-	28	39	8.8
(RECO: N)	FY10E	85,842	10,302	7,071	48.9	43.0	89	-	29	39	7.8
Hero Honda	FY07	99,000	11,730	8,579	43.0	34.9	101	-	51	38	-
(CMP: 801)	FY08	103,318	13,494	9,679	48.5	40.6	133	-	48	36	-
(MCap: Rs.160bn)	FY09E	114,404	13,690	10,459	52.4	44.1	133	-	41	32	15.2
(RECO: N)	FY10E	126,210	16,245	12,591	63.0	54.3	133	-	40	32	12.3
TVS Motor Co.	FY07	38,550	1,374	667	2.8	2.8	-	-	10	9	-
(CMP: 19)	FY08	32,195	413	122	0.5	0.5	-	-	1	2	-
(MCap: Rs.5bn)	FY09E	34,443	1,142	365	1.5	1.5	-	-	6	5	12.4
(RECO: OP)	FY10E	38,524	1,510	571	2.4	2.4	-	-	8	7	7.9

Source: ENAM Research, OP: Outperformer; N: Neutral; UP: Underperformer.

Note: Core PAT and EPS pertains to auto biz. and is adjusted for non operating income. P/E reflects multiple for core business. Pls note Tata Motors estimates have been adjusted for the recent rights issue

Sum of the Parts (SOTP) valuation for respective companies

Segment	Target Price (Rs.)	SOTP
TAMO	110	Core biz valued at 6.5x FY10E EV/EBITDA + Rs 16/ share for value of subsidiaries & investments (including JLR)
M&M	339	Auto and Tractor biz valued at 6.5x FY10E EV/EBITDA + Value of subsidiaries at Rs 162/ share, which is based on a proportionate share of mkt-cap of the entities (30% discount)
MSIL	569	~12x FY10E FDEPS of Rs 48.6x
Bajaj Auto	423	9x FY10E FDEPS of Rs 49
HH	785	Core biz. valued at 12x FY10E Core EPS of Rs 54 + Cash/ Equivalents of Rs 133/ share
TVS	22	9x FY10E FDEPS of Rs 2.5
ALL	14	5.5x FY10E EV/EBITDA (translating into 8.4x FY10E target P/E)

Source: ENAM Research

CONFLICT OF INTEREST DISCLOSURE STATEMENT

We, at ENAM, are committed to providing the most honest and transparent advice to our clients. However, given the nature of the capital markets, from time to time we are faced with situations that could give rise to potential conflict of interest. In order to provide complete transparency to our clients, before we make any recommendations, we are committed to making a disclosure of our interest and any potential conflict IN ADVANCE so that the interests of our clients are safe- guarded at all times. In light of this policy, we have instituted what we believe to be the most comprehensive disclosure policy among leading investment banks/brokerages in the world so that our clients Oct make an informed judgment about our recommendations. The following disclosures are intended to keep you informed before you make any decision- in addition, we will be happy to provide information in response to specific queries that our clients Oct seek from us.

Disclosure of interest statement (As of January 9, 2009)	Ashok Leyland	Bajaj Auto	Hero Honda	TVS Motors	Tata Motors	M & M	Maruti Udyog
1. Analyst ownership of the stock	No	No	No	No	No	No	No
2. Firm ownership of the stock	No	No	No	No	No	No	No
3. Directors ownership of the stock	No	No	No	No	No	No	Yes
4. Investment Banking mandate	No	No	No	No	No	No	No
5. Broking relationship	No	No	No	No	No	No	No

We are committed to providing completely independent and transparent recommendations to help our clients reach a better decision.

This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Nothing in this document should be construed as investment or financial advice, and nothing in this document should be construed as an advice to buy or sell or solicitation to buy or sell the securities of companies referred to in this document. The intent of this document is not in recommendatory nature

Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed Oct not be suitable for all investors

Enam Securities Private Limited has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as Oct be required from time to time without any prior approval

Enam securities Private Limited, its affiliates, their directors and the employees Oct from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They Oct perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document

This report has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of ENAM Securities Private Limited. The views expressed are those of analyst and the Company Oct or Oct not subscribe to all the views expressed therein

This document is being supplied to you solely for your information and Oct not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it Oct be taken or transmitted into the United State (to U.S. Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. The distribution of this document in other jurisdictions Oct be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions

Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that Oct arise from or in connection with the use of the information.

Copyright in this document vests exclusively with ENAM Securities Private Limited.